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TOP SECRET CONTROL SECTION

OFFICE OF THE ASSISTANT CHIEF OF STAFF, G-2, INTELLIGENCE of S., G-2, DA

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G-2 CONTRIBUTION TO SE-37: "PROBABLE EFFECTS OF VARIOUS POSSIBLE COURSES OF ACTION WITH RESPECT TO COMMUNIST CHINA"

I. No contribution.

II. WHAT HAS BEEN THE EFFECT TO DATE OF CONTROLS ON TRADE WITH COMMUNIST CHINA ON THE CAPABILITIES OF THE CHINESE COMMUNIST REGIMES?

A. No contribution.

B. What has been the effect on Communist China's economy of the changes in level and pattern of imports that have occurred since the imposition of present trade controls?1. What is the importance of these industries to the Chinese Communist war effort in Korea?

The Chinese Communist war-effort in Korea is dependent to only a small degree on Chinese industries. The bulk of the manufactured military equipment and supplies used in Korea is of Soviet origin.

2. What has been the effect on transportation? What repercussions have transportation difficulties had?

When the number of Western ships engaged in the China trade declined, (in the last half of 1951 and the first part of 1952) the Chinese and Manchurian railways were called upon to carry additional freight tonnage. The decline in sea-borne imports however, was only temporary, and no permanent additional burden of any significance has been placed on the railways. Some difficulties may have been encountered for a brief period, but they have not been severe.

3. No contribution.

C. What has been the effect of the economic dislocations, which have resulted from changes in level and pattern of imports occurring since the imposition of present trade controls, on Communist China's military capabilities, especially in Korea?

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Recommend paragraph 21, SE-27, be changed as follows: Delete first sentence and substitute the following: "Although the Chinese Communist Ground Forces have not been severely affected by Western trade controls, these controls have made it difficult for the Communists to acquire important equipment and supplies, such as anti-biotics and other medical supplies, communications equipment, rubber products, and similar items. Dependence upon the Soviet Bloc and upon the reduced trickle from non-Soviet Bloc nations for such items constitutes a strategic military weakness.

D. No contribution.

III. WHAT WOULD BE THE EFFECT OF A TOTAL EMBARGO OF NON-COMMUNIST TRADE WITH COMMUNIST CHINA ON THE CHINESE COMMUNIST ECONOMIC AND POLITICAL STRENGTH, AND ITS MILITARY CAPABILITIES?

A. What would be the effects of a complete economic embargo on Communist China's trade pattern over the next year?

1. No contribution.

2. What upper limits would be imposed by transportation shortages?

The capacity of the Chinese railways from the south into Manchuria is 24 trains each way per day or 15,000 tons. The Manchurian railways from Mukden to the Soviet border have a capacity of 20 trains each way or 13,000 tons. The Trans-Siberian railway has an operational capacity of 36 trains per day or 36,000 tons. Current tonnage being carried by these lines cannot be accurately estimated. There probably has been a significant upsurge in traffic since 1950 occasioned by greater economic activity in the Soviet Far East, by the Korean War, and by increased trade between Communist China and the Rest of the Soviet Bloc. We believe that the operational capacity of all rail lines in China and Manchuria is being almost fully utilized. *Furthermore, shortages of transportation equipment have been reported.* The shift of sea-borne imports of 1,500,000 tons and sea-borne exports of nearly 2,000,000 tons to the railways would require about 12 trains per day each way on the Chinese railways, 7 on the Manchurian

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railways, and about 5 per day on the Trans-Siberian railway. These additional trains could be operated only at the expense of other traffic. Furthermore, the economic costs of transporting by rail would be so high that many of the commodities now moved by sea probably would not be transported by rail. The cost of transporting iron ore, one of the chief export items by rail, would be at least four times the market price of the ore. The cost of shipping ammonium sulphate, one of the chief imports, would exceed the market price for the fertilizer.

3. No contribution.

B. How would this change of trade pattern affect Communist China's economy?

1. No contribution.

2. What would be the effects on transportation? What would be the repercussions of these effects on the rest of the economy?

The transportation system would probably be operating under such pressure as to cause ~~an ultimate~~ breakdownⁱⁿ of the system. Such a situation would seriously affect the over-all economic situation in China.

3. No contribution.

4. No contribution.

C. What would be the effects on Chinese Communist military capabilities with special reference to their ability to sustain operations in Korea?

1. Would there be any cut-back in munitions production? In civilian type goods used by the Army?

Production of munitions and of civilian type supplies used by the Army probably would be given priority in the allocation of the reduced supply of commodities available to the Chinese Communists. We believe that the embargo would not directly limit military capabilities in Korea.

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2. Would there be any effect on the ability to transport troops and to provide military logistical support?

The rotation of armies between China proper and the Korean front during the last six months has required about 40 trains per month each way. In addition, transportation of food-stuffs and other supplies to the forces in Korea required about 1 train per day. This traffic could be maintained provided priority was given over other traffic. The rotation of Chinese Communist Armies in Korea has reportedly caused disruption of other traffic during periods of heavy movement. If present sea-borne traffic is moved by rail, total military traffic will be curtailed, including possibly some rail movement *to Korea*.

D. No contribution.

E. What effect might a complete economic embargo have on military relations between the Chinese Communists and the USSR?

Paragraph 40, SE-27, is still pertinent, but the following data should be added: "However, there are no indications that present levels of Soviet support to the Chinese Communist economic and military effort have had an adverse effect upon Sino-Soviet military and political relations. Likewise, present indications do not lead to the conclusion that the Sino-Soviet entente would permit the strains imposed by a total embargo to undermine the basis for collaboration. The more probable effect of a total embargo might be to strengthen Soviet control over the Chinese Communist armed forces as a corollary to increased dependence upon the Soviet Bloc for economic and military support.

F. What would be the effect of a complete economic embargo maintained over an extended period of time - 2 to 5 years - on Communist China's military capabilities?

A protracted Western embargo would reduce Communist China's military capabilities to the extent determined by Soviet Bloc willingness and ability

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to supply the military necessities denied by the embargo. Complete dependence upon the Soviet Union for such necessities would reduce Communist China's capacity for independent action and weaken her bargaining power with the Soviets. It is unlikely that Communist capabilities in Korea would be measurably affected, although expansion of Chinese Communist military capabilities with regard to other areas might be hindered.

G. What factors would tend to prevent full enforcement of an economic embargo? To what extent would these factors reduce the effectiveness of an embargo?

The following factors would prevent enforcement of a full economic embargo:

(1) Once goods have reached Soviet Bloc countries, the non-Communist embargo would not prevent their trans-shipment to China. Such trans-shipments would probably be undetected if made by rail rather than by sea.

(2) An effective embargo will be hindered by national self-interest of certain non-Communist countries and their desires to establish a favorable foreign trade balance, regardless of the ultimate destination of their exports. Even were it known that exports to Soviet Bloc countries were being trans-shipped to Communist China, it would be extremely difficult to induce the entire non-Communist world to halt all direct or indirect trade with Communist China.

IV. WHAT WOULD BE THE EFFECTS OF A NAVAL BLOCKADE INCLUDING PORT ARTHUR AND DAIJEN ON COMMUNIST CHINA'S ECONOMIC AND POLITICAL STRENGTH AND ITS MILITARY CAPABILITIES?

A. Assuming that a naval blockade would cut off substantially all of Communist China's sea-borne imports, to what extent could the loss of these imports be made up by additional overland imports from the Soviet Bloc?

1. What limitations would be placed on this trade by the capacity of land transportation to Communist China?

Soviet railways could transport the commodities involved to Communist China and thus defeat the blockade. However, if the railways were used for such traffic it would be at the expense of considerable tonnage

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of less essential freight. Any limitations on such overland trade would depend largely upon Moscow decisions.

2. What limitations would be placed on this trade by the current capacity of inland transportation within Manchuria and elsewhere in Communist China?

The Chinese and Manchurian railways alone have the operational capacity to move the trade; however, such transportation would require a considerable reduction in other freight traffic. Determination of what commodities would be moved would depend upon official Peiping decisions. The Chinese Communists could increase their inland transportation capacity gradually, but it would depend to a great extent on the amount of transportation equipment which could be obtained from the rest of the Soviet Bloc. The same ^{type of} equipment which would be needed for this expansion is ^{required} ~~needed~~ by the USSR and the Eastern European Satellite countries for the planned development of their transportation systems.

3. No contribution.

B. No contribution.

C. What would be the effects over the next year of the dislocations, shortages, and additional costs, caused by a naval blockade on:

1. No contribution.

2. The military capabilities of the regime, especially with reference to its ability to sustain military operations in Korea?

Paragraph 46, SE-27, is still adequate, as written.

3. No contribution.

4. Communist China's military relations with the USSR?

Par. 47, SE-27, is still adequate. Also see III.E. preceding.

D. No contribution.

V. WHAT WOULD BE THE EFFECTS OF BOMBARDING TRANSPORTATION FACILITIES IN COMMUNIST CHINA IN CONJUNCTION WITH A NAVAL BLOCKADE?

A. No contribution.

B. What would be the effect of successful and sustained air bombardment of such targets upon Communist China's ability to sustain military operations in Korea?

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In the event of a naval blockade of the China coast including Port Arthur and Dairen, effective interdiction of this target system would have an extremely serious effect on Communist China military and economic potential. It is probable that a prolonged disruption of the main surface routes of entry from the USSR into Manchuria would critically reduce Chinese Communist offensive capabilities in Korea and seriously reduce their defensive capabilities in Korea. Some supplies could be sent from the USSR directly into North Korea by means of the important alternate route from the Soviet Maritime Provinces into Northeast Korea at Tumen. However, effective and sustained interdiction of all bridge crossings over the Yalu and Tumen rivers, in conjunction with interdiction of transportation facilities in Manchuria and China, would impose a severe strain upon Communist logistic capabilities in Korea to the point where their offensive capabilities would be severely curtailed, if not eliminated. Interdiction of the key Chu-chow-Heng-yang rail link into south China would gravely handicap Communist military operations in Southeast Asia. Effective, sustained attacks on the vital rail link between Manchuria and China proper, coupled with attacks on selected targets within Central China would put severe pressures on the Chinese economy. There are indications that the Mukden-Shanhaikuan line has been supplemented by the restitution of the Chinhsien-Kupeikou line, creating a double link between China and Manchuria. Taken together, effective and sustained interdiction of all these routes would progressively undermine Communist China to a point where its military capabilities would be critically reduced and the difficulties of maintaining the regime's economic and political controls would be aggravated.

C. No contribution.

D. No contribution.

VI. No contribution.

VII. WHAT WOULD BE THE PROBABLE COMMUNIST REACTION TO:

1. A complete economic embargo?

The estimate contained in paragraph 54, SE-27, is adequate provided the second sentence be deleted and the following substituted therefor:

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"However, the imposition of such an embargo might be regarded by the Communists as an indication of possible further hostile moves by the non-Communist nations, particularly when viewed against recent United States psychological moves in the Far East. As such, therefore, an embargo might aid to deter Communist military policies with respect to Korea, Taiwan, and Southeast Asia, in favor of a greater preoccupation with defensive measures both in Korea and the coastal regions of China."

2. A naval blockade?

The estimate contained in paragraphs 55 and 56, SE-27, is adequate. However, it is suggested that the last sentence of paragraph 55 be deleted, as it is considered to be a "hedge" and does not contribute materially to the estimate.

3. A naval blockade and an air bombardment of inland lines of communications?

The estimate contained in paragraph 57, SE-27, is still adequate.

4. A naval blockade and air bombardment by the Chinese Nationalists alone?

In view of the present limited air and naval capabilities of the Chinese Nationalists, it is doubtful that a naval blockade and air bombardment by them alone would have an appreciable effect upon Communist actions. It is likely that Chinese Communist retaliatory action against Nationalist naval units at sea and air attacks against Formosa would be undertaken, but such action would probably represent the maximum counteraction which would be undertaken. In the event that Nationalist naval and air capabilities were strengthened to the point where significant damage could be inflicted upon Communist economic and military capabilities, Communist reaction would probably approach that expected from United States and/or United Nations actions and would be as outlined in paragraph 57, SE-27.

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